

ASX/Media Announcement

6 November 2018

Letter to Securityholders

Please find attached a letter to securityholders enclosing a member's statement from Centuria Investment Holdings Pty Limited as trustee of Centuria Capital No. 2 Industrial Fund that will be mailed out today.

ENDS

Further Enquiries

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About Propertylink

Propertylink is an A-REIT, listed on the Australian Stock Exchange under the code "PLG". Propertylink is an internally managed real estate group that owns and manages a diversified portfolio of logistics, business park and office properties and is a leading investment and asset management business with over A\$1.8 billion of assets under management. Propertylink's integrated, in-house approach to active asset management is aimed at maximising the performance and value of assets under management for our global investors from North America, Europe, the Middle East, Asia and Australia.

6 November 2018

Dear Securityholder,

It has been drawn to our attention that there was an error in a printed attachment to the Notice of Meeting for the upcoming Extraordinary General Meeting (**Meeting**) that has been requisitioned by Centuria Investment Holdings Pty Limited as trustee of Centuria Capital No. 2 Industrial Fund (**Centuria**).

Please find attached a copy of the full member's statement provided by Centuria.

If you require further information or have questions, please contact the Propertylink Securityholder Information Line on 1300 889 468 (within Australia) or +61 2 8022 7954 (outside Australia).

I look forward to your attendance at the Meeting.

Yours sincerely,



Rebekah Hourigan

Company Secretary

Schedule 1

Member's statement

Centuria Capital Limited (ACN 095 454 336) and Centuria Funds Management Limited (ACN 607 153 588) as responsible entity of Centuria Capital Fund (ARSN 613 856 358) of Level 39, 100 Miller Street, North Sydney NSW 2060 ("**CNI**") holds, through Centuria Investment Holdings Pty Limited (ACN 116 455 862) as trustee of Centuria Capital No. 2 Industrial Fund (**CIHPL**) (as at 20 September 2018), in aggregate more than 5% of the votes that may be cast at a general meeting of Propertylink (Holdings) Limited (ACN 092 684 798) ("**PHL**"), Propertylink Trust (ARSN 613 032 750) and Propertylink Australian Industrial Partnership (ARSN 613 032 812) (together "**PLG**").

In accordance with section 249D of the Corporations Act, CIHPL requested the Directors of PHL call and arrange to hold a general meeting of PHL to consider certain resolutions providing for the removal of the current Directors (other than Mr Stuart Dawes) and the appointment of new Directors (each as an ordinary resolution) (the "**Resolutions**").

Proposed removal of current Directors and appointment of new Directors

CIHPL has proposed the Resolutions because CNI has lost confidence in the PLG Board because:

- The PLG funds management platform has underperformed since listing;
- The PLG Board approved a strategy to excessively leverage PLG and attempt a hostile take-over of Centuria Industrial REIT (**CIP**) with PLG securities representing approximately 90% of the consideration (the **Proposal**);
- The PLG Board has put PLG in an unsustainable position having increased its pro forma look-through gearing (estimated to increase to 49%) to pre-GFC levels in order to acquire its stake in CIP;
- PLG failed to disclose to the market the amended financing terms entered into to facilitate the acquisition of its stake in CIP; and
- The PLG Board has also failed to disclose the impact on pro forma NTA (estimated at 13% negative impact) that PLG securityholders will suffer if the Proposal is successful.

CNI currently holds 22.9% of CIP units and, whilst it reserves its rights to change its intention, it is CNI's current intention **not to accept** into the Proposal. If circumstances or structural developments cause CNI to accept, then CNI will become PLG's largest securityholder with an 18.7% interest in PLG.

After careful consideration, CNI has determined that it has no option but to act in order to protect its interests as a substantial PLG securityholder, the interests of other PLG securityholders and the interests of CIP unitholders who have been offered PLG securities as consideration as part of the Proposal.

Background to the requisition

CNI is one of PLG's largest securityholders with a relevant interest of 10.9% in PLG¹. Prior to CNI and CIP acquiring PLG securities in September 2017, the PLG security price had failed to trade above its IPO price of \$0.89.²

Since CNI's friendly approach to the PLG Board in September 2017, CNI has remained a passive investor and has treated its investment in PLG as strategic. However, CNI is now concerned with the risks that the PLG Board has taken in relation to the acquisition of a 17.7% interest in CIP and subsequent approach to acquire 100% of CIP.

¹ As at 20/09/2018

² Source IRESS

Why is CNI proposing the Resolutions?

| Reason | Description |
|---|--|
| CIP unitholders, of which CNI is the largest, are being drawn into PLG's ongoing issues | <ul style="list-style-type: none"> Over the last 12 months, PLG has been unable to grow external AUM and generate recurring operating profits in its funds management business. Its underperformance in growing recurring revenues has been accompanied with increased operating expenses which has negatively impacted the recurring/core profitability of the funds management business PLG has relied on one off performance fees to generate a profit in the funds management business. We estimate that PLG's funds management platform incurred a \$1.9m loss in FY17 and \$6.3m loss in FY18 when adjusted for one-off performance fees³ The PLG security price failed to trade above its IPO price of \$0.89 prior to CNI and CIP acquiring PLG securities in September 2017 |
| Concern for strategic direction of PLG and financial risks associated with the Proposal | <ul style="list-style-type: none"> The PLG Board has committed to approximately \$130m in additional debt financing to acquire the CIP stake. This represents 21% of PLG's net tangible assets. PLG has failed to disclose to the market the amended terms of its debt financing despite its obvious materiality We estimate PLG has increased gearing to unsustainable levels since it acquired its 17.7% interest in CIP. We estimate pro forma look-through gearing to be approximately 49% as a result of the acquisition of the CIP stake If PLG does not acquire 100% of CIP, it is unclear how this debt is to be refinanced. PLG may be required to sell assets or undertake a heavily discounted equity raising to resolve this situation |
| PLG securityholders would suffer 13% NTA dilution on a pro forma basis and higher costs associated with an unrealistic synergy assumption | <ul style="list-style-type: none"> It is estimated that the transaction is 13% dilutive to NTA for PLG securityholders on a pro forma basis. PLG has failed to disclose to the market the dilutive impact on PLG securityholder's NTA⁴ At 50.1% acceptances, PLG have stated an intention to change the responsible entity and manager of CIP to a PLG group member. There would be no savings for minority CIP unitholders Despite increasing its industrial AUM by approximately 88%, PLG has assumed no material increase in costs to run the \$1.0bn geographically diversified CIP portfolio In FY18, PLG securityholders were subject to corporate costs of approximately \$16m equating to a MER of approximately 91bps which is materially higher than the management fee paid to CNI to manage CIP⁵ |

³ PLG funds management recurring FY18 EBITDA calculated as Investment Management Fee Income (\$4.6 million in FY18) plus Property Management Fee Income (\$4.0 million in FY18) and Property Acquisition Fee Income (\$0.7 million in FY18) less Employee Benefits Expense (\$10.4 million in FY18) and Other Operating Expenses (\$5.1 million in FY18) as disclosed on page 38 of the PLG FY2018 Results Presentation released on 14/08/2018

⁴ Assumes the Proposal is successful, CNI accepts into the Proposal and PLG acquires 100% of CIP

⁵ PLG's MER is calculated as FY18 normalised operating costs of \$15.9 million (\$17.4 million reported expenses less \$1.5 million of bonus expenses related to performance) divided by average AUM for FY18 of ~\$1.7 billion

Appointments

CNI has identified candidates for six new Directors, being Mr Nicholas Collishaw, Ms Evelyn Horton, Mr Michael Figg, Mr Ellis Varejes, Mr Gregory Dyer and Mr Maxwell Green, whom CNI believes have the relevant blend of skills, knowledge, corporate governance expertise and experience to lead Propertylink Group forward.